In preparation for the Board’s October 18, 2006, workshop on financing the EEU budget, Board staff have prepared three sample analyses to illustrate possible cash flow effects of financing the EEU budget.

The spreadsheet shows three possible cash flows --- (1) financing a “bubble” of up to $52.5 million for three years if the EEC were set to collect 5% of statewide electric revenues starting in 2009; (2) financing a “bubble” of up to $52.5 million for three years if the EEC were set to collect 4.6% of statewide electric revenues starting in 2008; and (3) financing a “bubble” of up to $42.5 million for two years if the EEC were set to collect 4.075% of statewide electric revenues starting in 2009. (For comparison purposes, if the 2008 EEU budget approved by the Board in its August 2, 2006, Order were expensed, using the same assumptions about statewide electric revenues as in the other examples, the EEC would be approximately 4.6% of statewide electric revenues.)

Many assumptions were made to develop the spreadsheet, including the interest rate and term of the bonds, the maximum percentage of statewide retail revenues that could be used to pay for the bonds, growth in statewide retail revenues, the amount and timing of the financing, and the interest rate that could be earned by the reserve. The values used are illustrative only; different values could be used for each of these factors. In addition, it could be decided to continue to expense a portion of each year’s EEU budget and to finance only the remaining portion.